

# FISCAL NOTE

**Bill #:** HB0662

**Title:** Eliminate tax on portion of motor vehicles

**Primary**

**Sponsor:** Allan Walters

**Status:** As introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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## Fiscal Summary

	<b><u>FY2000 Difference</u></b>	<b><u>FY2001 Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$0	\$338,500
<b>Revenue:</b>		
General Fund	(\$9,572,000)	(\$20,096,000)
State Special Revenue-6 Mills	(604,300)	(1,269,000)
State Special Revenue-9 Mills	(24,000)	(50,700)
<b>Net Impact on General Fund Balance:</b>	<b>(\$9,572,000)</b>	<b>(\$20,434,500)</b>

<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
X		Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

## Fiscal Analysis

### ASSUMPTIONS:

1. This bill would apply to vehicle registration periods beginning after December 31, 1999.
2. This bill would exempt from the 2% vehicle property tax the first \$2,500 of taxable value on light cars and trucks. The taxable value of a light vehicle or truck must still have a minimum value of \$500 as is does under current law.
3. Vehicle property tax and local option vehicle tax are collected uniformly throughout each fiscal year. Three of the six deposits into the motor vehicle suspense fund for FY2000 are made after December 31, 1999, the date this bill becomes effective. Therefore, half of the collections in FY2000 would be based on current law and half would be based on proposed law. All collections of vehicle taxes in FY2001 would fall under the proposed law.

(continued)

4. The following table shows actual 1997 collections and distributions from the 2% tax on light cars and trucks. It also shows the current law forecast collections in FY2000 and FY2001, assuming a growth rate of 6% per year from 1997-2000, and 5% between 2000 and 2001.

Fund	1997	FY2000	FY2001
95 Mills -State GF	16,076,478	19,136,331	20,088,250
6 mills	1,015,356	1,208,610	1,268,732
1.5 Mills -State GF	88,844	105,753	111,014
9 Mills	609,214	725,166	761,239
County Government	12,299,352	14,640,301	15,368,568
County Misc.	4,767,099	5,674,426	5,956,695
Countywd Retirement	4,379,571	5,213,140	5,472,462
Countywd Transport	703,980	837,970	879,654
School GF	18,276,417	21,754,987	22,837,168
School non-GF	4,569,104	5,438,747	5,709,292
Cities/Towns	5,119,089	6,093,411	6,396,522
District Court	5,111,092	6,083,891	6,386,529
Sub Total	73,015,595	86,912,733	91,236,123
County Option	15,055,294	17,920,785	18,812,237
<b>Total</b>	<b>88,070,889</b>	<b>104,833,518</b>	<b>110,048,359</b>

(continued)

5. The following table shows the estimated collections in FY2000 and FY2001 under current law and under the proposed law. The differences in collections between the two are also shown.

### Estimated Fiscal Impact of HB662

#### ***FY 2000***

Fund	Current Law	Proposed Law	Difference
95 Mills - State GF	19,136,331	9,568,166	(9,568,166)
6 mills	1,208,610	604,305	(604,305)
1.5 Mills - State GF	105,753	102,234	(3,519)
9 Mills	725,166	701,035	(24,131)
County Government	14,640,301	14,153,123	(487,178)
County Misc.	5,674,426	5,485,601	(188,825)
Countywd Retirement	5,213,140	5,039,664	(173,475)
Countywd Transport	837,970	810,085	(27,885)
School GF	21,754,987	21,031,057	(723,930)
School non-GF	5,438,747	5,257,764	(180,982)
Cities/Towns	6,093,411	5,890,643	(202,767)
District Court	6,083,891	5,166,729	(917,163)
<b>Total</b>	<b>86,912,733</b>	<b>73,810,407</b>	<b>(13,102,326)</b>

#### ***FY 2001***

Fund	Current Law	Proposed Law	Difference
95 Mills - State GF	20,088,250	0	(20,088,250)
6 mills	1,268,732	0	(1,268,732)
1.5 Mills - State GF	111,014	103,626	(7,388)
9 Mills	761,239	710,576	(50,663)
County Government	15,368,568	14,345,744	(1,022,824)
County Misc.	5,956,695	5,560,259	(396,436)
Countywd Retirement	5,472,462	5,108,253	(364,209)
Countywd Transport	879,654	821,110	(58,544)
School GF	22,837,168	21,317,286	(1,519,882)
School non-GF	5,709,292	5,329,321	(379,970)
Cities/Towns	6,396,522	5,970,814	(425,708)
District Court	6,386,529	4,460,956	(1,925,572)
<b>Total</b>	<b>91,236,123</b>	<b>63,727,946</b>	<b>(27,508,177)</b>

6. Using these projections, the effect upon the state general fund is expected to be a decrease of \$9,572,000 in FY2000 and \$20,096,000 in FY2001.
7. The effect upon the 6 mill state special revenue fund for the University system is estimated to be a decrease of \$604,000 in FY2000 and \$1,269,000 in FY2001.
8. The effect upon the 9 mill state special revenue fund for State Assumption of Welfare is estimated to be a decrease of \$24,000 in FY2000 and \$51,000 in FY2001.
9. Exempting the first \$2,500 of taxable value would cause school districts to change GTB levies in FY2000 and FY2001 to maintain minimum budgets required under section 20-9-308(1)(a), MCA. The change will increase by \$338,510 the amount of state GTB aid in FY2001 due to the decrease in non-levy revenue to schools.

FISCAL IMPACT:

	<u>FY2000</u> <u>Difference</u>	<u>FY2001</u> <u>Difference</u>
<u>Expenditures:</u>		
Local Assistance – School GTB	\$0	\$338,500
<u>Funding:</u>		
General Fund (01)	0	\$338,500
<u>Revenues:</u>		
General Fund	(\$9,572,000)	(\$20,096,000)
State Special Revenue-6 Mills	(604,300)	(1,269,000)
State Special Revenue-9 Mills	(24,000)	(50,700)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund	(\$9,572,000)	(\$20,434,500)
State Special Revenue-6 Mills	(604,300)	(1,269,000)
State Special Revenue-9 Mills	(24,000)	(50,700)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The decrease in local government revenues as a result of this bill is estimated to be \$1,985,000 in FY2000 with county governments experiencing a decrease of \$877,000, cities and towns losing \$203,000 and schools losing \$905,000. The decrease in local revenues is estimated to be \$4,168,000 in FY2001 with county governments experiencing a decrease of \$1,842,000, cities and towns losing \$426,000 and schools losing \$1,900,000.

LONG-RANGE IMPACTS:

1. It is expected that the total annual decrease in revenues in future years from this bill will be at least that of FY2001.